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INTRODUCTORY NOTES ON SOCIOLOGICAL ECONOMICS

YASUMA TAKATA

I. SOCIOLOGICAL ECONOMICS

By 'Sociological Economics' here is meant a system of economic theories which introduces with clear consciousness some sociological factors into the causal explanation of economic facts and supplements the missing links in the chain of theoretical reasoning. The term 'sociological' is often used as synonymous with 'institutional', for example by Oscar Lange. What is really meant by the so-called 'institutional economics' is not at all clear. No one can give the univocal definition to it because the school involves so many heterogeneous writers and does not seem to be unified as a theoretical system as yet. The general impression is, however, that it is a group of doctrines which are intended to understand and explain all economic phenomena in terms of institution; in other words, to give the explanation of economic phenomena from the sides determined by human institution which means human cooperation or regular relation socially sanctioned. Thus it clearly competes with orthodox economics in the reign of economic science, excluding the ways of thinking of hedonistic calculation which is necessarily too distant from reality. Compared with this, however, sociological economics intends to amend the traditional theories by giving the sociological understanding to the presupposed data.

To make the argument more concrete, the system of orthodox economics, including the Keynesian and the Neoclassical schools, seems to lack the true conception of 'cost' as one of two pillars of our science; one is utility or preference and another is cost. Alfred Marshall told us almost half a century ago that demand and supply, therefore, utility

and cost or disutility are two blades of scissors, by the cooperation of which price and quantity are determined at the same time. But what is the nature of cost or pain in production? He thought superficially that cost is money cost among which the most important and fundamental is deemed to be money cost paid to labour so that real cost lies on the side of labour. Then the real cost must be the disutility of labour, because the wage as a chief element of cost is determined by the disutility of labour supply.

Thus the nature of real cost seems to depend upon the validity of the wage theory. Usually the theory of wages constitutes a chapter in the theory of distribution, the last part of price analysis. But, thus considered, it must be made clear that the preliminary knowledge is given at first. This may seem a circular reasoning, but it is inevitable and fatal because the construction of economic reality is circular in itself; production, pricing and distribution are not separate entities but three sides of one and same stream of economic activities.

Before proceeding to the next step of the present argument, it is convenient here to add a few words on the adjective sociological. The orthodox economics stands on the presupposition of pure contract and simple bargaining, which implies that there are no difference of social power among partners. But in the real cosmos of social economy, there always penetrates the influence of power so that the traditional theories are too far from reality, which makes the explanation of actual economic events very difficult and one-sided.

Without taking into consideration these influences of power, any economic theory will turn out to be a mere phantasmagoria. The term sociological means in general "pertaining to human interaction", but in the present context the factor neglected by the traditional theory, though most important in reality, seems to me the influence of social power so that the situation makes it practically permissible to interpret "sociological" as "introducing into economic theory the factor of power".

II. ONE BLADE THEORY

Since the utility or preference theory is accepted, there are left two

ways of treating the supply side. One is the Austrian direction of thinking which denies the active and independent role of cost or of labour; according to it the supply function is merely the reversed form of demand function. When we follow the Böhm-Bawerkian analysis of the labour market, the demand side is determined entirely by utility calculation from which the demand for labour will be derived. This demand function alone determines the rate of wages, the supply quantity of labour being given. Then in metaphor the scissors have only one blade. Utility and mere quantity of labour must always determine wage, the fundamental part of cost, so that cost is nothing but the reflex of price, the imputed value.

Another way of treating the supply side may be described as follows. The demand for labour is explained by the marginal productivity, consequently in the last analysis by the utility of products conditioned by the state of technique. The latter implies that the pain afflicted in the supply price of labour is determined by the pain or disutility of labour so that the labour supply curve must be ascending, rising with the supply of labour. The wage rate is determined at the point which equilibrates demand and supply of labour, so that productivity or utility of product acts as one blade of the scissors and disutility of labour makes the other blade. This seems to be the most usual way of thinking. Eminent authorities went along the line, such as Alfred Marshall and Léon Walras to show only two among an immense number of writers. But time has passed, the social situation has changed to make clear the inconsistencies of this direction of thought. As the conclusion of this hypothesis it is inferred that the marginal utility of wage must be equal to the marginal disutility of labour. But however low may be the wage rate it makes the maintenance of the labourer's life possible and without getting it he can not live so that the marginal disutility of labour must be very trivial compared with the marginal utility of wage. On this point, all socialist writers are in agreement. In actual experience, labourers can not change their working hours and days as they will under the regulation of the legal and customary norms. Most labourers are willing to prolong his labour hours, if excess payments

are made. These facts may serve to demonstrate that the disutility of labour can not determine the height of cost. In the Böhm-Bawerkian way of thinking the supply curve makes a strait line rectangular to x axis upon the point x marking the supply quantity of labour.

Contrary to this, the supply curve in the Marshallian case runs obliquely ascending rightward but the height of real cost or the marginal disutility of labour generally remains under the marginal utility of wage. In both cases we can not find an autonomous and independent blade which can determine the wage rate by crossing together with the utility side.

Where can we find the cost blade or the missing link in the chain of general equilibrium system, without which the price analysis may not be performed? I dare say we can not seek it otherwise than in the factor of power or force.

III. THE ORTHODOX TWO-BLADES THEORY

As far as we go along the route of Böhm-Bawerkian or more widely that of the Austrian way, the so-called one blade vanishes. It becomes a mere reflex of the other blade. But the situation is not different in the case of the Marshallian or Walrasian hypothesis. In so far as marginal disutility of labour must be lower than the marginal utility of wage, the former can not play the role of determining price as seen in all cases of "scarcity prices". This hypothesis may be abandoned for the reason that the demand function of labour and the quantity of labour, irrespective of the degree of disutility on the side of labourers, determine the rate of wages. Whichever way of treatment we adopt, the second Marshallian blade vanishes. When the blade of supply falls off, the wage must be determined by the marginal productivity of labour alone. This must be the necessary consequence of these analyses. But we may except some strong oppositions to such a view in the following ways. We are explaining only the demand function of the productive services including labour, not the prices of them. We have the principle of marginal productivity in the system of economic science to understand

the demand function but not the theory of marginal productivity to determine the wage rate. That seems to be the prevailing opinion in the present state of economic theory, but it means a decomposition of its scientific system. The concept of marginal productivity has originated from the intention to disclose the mechanism of the determination of factor prices; without explanation of factor prices the unity of economic theories can not exist. The importance of the concept depends on whether the marginal productivity theory is valid or not. What makes one insist that the marginal productivity serves as the principle which explains only the factor demand, not the factor price itself, must be the daily experience, that the wage rate is very much influenced by something which differs clearly from productivity, so that one can not dare to say the marginal productivity determines factor price.

Why has the wage theory such as the Böhm-Bawerkian become unsustainable? It may be said that the widening and intensifying of the labour movement has made it impossible to explain the wage phenomena by the one blade theory; that is, the theory of marginal productivity; thus, the other blade must be necessarily taken into consideration now.

IV. THE KEYNESIAN SECOND BLADE

The other blade of pricing scissors was taken up by Keynes but unconsciously in the conception of involuntary unemployment. According to him, this is the unemployment owing to the high wage which supersedes over the compensation of disutility. Concerning what makes it necessary, there are many different opinions, but on one point do they all agree. It is the actual fact that the current wage rate is higher than the mere compensations of the disutility of labour so that the excess utility or the surplus utility of wage over the disutility of labour is existing permanently on the side of the unemployed. In short, the supply price of labour always includes a claim more than a mere compensation of utilities. In order to make involuntary unemployment actual, it must be necessary some situations of effective demands but at the same time the requiring of higher wage is the fundamental presup-

position. An example of this sort of labour supply function was proposed by Keynes in his *General Theory*. According to the way of thinking in the traditional theory, the unemployed would cut down the wage requirement, to get employment at any rate of wages.

What is the motive to support the excess requirement? On this point it seems to me, there is a prevailing opinion that is due to the money illusion. They say, for example on the rigidity of wage (money-wage rate), that labour does not agree with the cutting down of money wage, notwithstanding heavy depression because they adhere to the old impression of the purchasing power of money as an aftermath of previous money value. Though it is generally accepted at present, this explanation is not sustainable. If money illusion has some influence on the demand and supply of labour, it must have the same influence on the transaction of all other commodities so that all commodities including labour will be modified uniformly in their respective prices. Rigid wage among changed prices of all other commodities can not be explained by the general situation of money illusion. Certainly Keynes grasped one blade which was missing in the system of classical economics. But its essence was not revealed by him and Post-Keynesians misunderstood it as money illusion. Evidently what makes labour require some surplus above the compensation for disutility must be the resistance by power. What seemed as a phantom, that is the money illusion, was essentially the power. A firm equilibrates its proceeds with the cost which it must pay. This cost is not the disutility of labour but what he must pay to let labour agree. What makes the firm pay is nothing but the resistance by power.

Unconsciously Keynes took up another blade but he did not have the intention to analyze it so that he could not detect the essence of it; all Post-Keynesians also moved on the surface of exchange and could not explore what is hidden in the supply function of labour.

In short, the missing links in modern economics must be the factor of social power. Though we accept the traditional theories as a first approximation, we have to go on one step further towards the second approximation by introducing the power factor which means to construct sociological economics.

V. UTILITY AND POWER

The economic cosmos of the present capitalism, also of feudalism, communism and all other possible forms of economy is constructed from two elements or two blades, if reduced to the ultimate analysis. One of them is utility or preference; another the power. Often I was advised to use the term "force" instead of "power". I must frankly admit that I can not feel the nuance in the meanings of these words; I am accustomed to use the word power to cover⁽¹⁾ sanctioned physical force (power in the narrower sense),⁽²⁾ wealth and⁽³⁾ dignity. The power in the wider sense means the ability to get obedience (to rule others' will into the direction of his own will). (1) and (2) are the ability to catch or grasp others' will by one's own will, (1) directly, without means, (2) indirectly with means, chiefly material means. (3) means the ability to find, being obeyed without or irrespective his intention, like in the case of prestige, authority, dignity of birth etc.

These different kinds of power are distributed among members of society as their respective shares which determine their respective positions in the stratified system. Various powers are reduced to one common measure so that every one stands on the respective height, however different kinds of power he enjoys. Labourers in such a society offer their respective services and claim different rates of wages as the remuneration for them.

Labourers in the present system may take one of the following two different attitudes to the firm. They may supply their labour passively or actively. If they offer their labour with no requirements on wages, and receive what the firm pays in exchange, they are acting passively. If, however, they supply their labour with a claim concerning the wage rate and utilize, whether peacefully and contractually or not, their power to gain as much as possible from the firm, then they are acting actively.

When labourers act passively and at the same time the principle of competition prevails among firms, then there will be no room for power to work. The prices of factors will be determined at their respective marginal productivity. In such a system no one will be unemployed. But when labourers act actively, a different situation will

be brought about: higher wages with unemployment.

The modern course of human society is the general stream of atomization or individual emancipation, so that the labour market also has the fate of passing through various stages. The further the process of emancipation goes, the more actively labour will behave. Needless to say, the active resistance of labour is a heterogeneous element in capitalism, but it may not be separable from mature capitalism itself. And without taking it into consideration, the recent capitalistic reality, especially during the period since the First World War, can not theoretically be understood. This is the reason why involuntary unemployment was conceived as a central idea by Keynes. Thus the object or model of the Keynesian Economics is the economy involving the modification by power which can not be fully explained without taking into consideration the economic intervention of power. He was forced by the fact to smuggle the element of power but unconsciously because the theoretical frame of his system does not permit to treat the action of power by the long tradition of the classical economics. Now we have to introduce this neglected and unanalyzed item into the system of economics since the economic theory can not provide with sufficient tools of concepts to catch the present reality of capitalism.

VI. PURE ECONOMICS AND POWER ECONOMICS

Provisionally let us call 'power economics' the economic theory which treats and analyzes the power-influenced social economy with the dual concepts of utility and power, in contrast to pure economics which works with the single concept of utility. As a supporter or an explorer of power economics, what attitude may we take to the traditional pure economics?

At a certain stage modern capitalism was constructed by formally free but passively acting labourers and cold calculating firms. This may be called pure capitalism. Pure capitalism was the object of economic theory, and the resultant achievement is the neoclassical economics. The tendencies, such as the inexistence of unemployment, the equality of factor price with marginal productivity, the passive adaptation of

factors, are always working at present but under the pressure of the operation of power, so that pure economics may serve as a first approximation to grasp the economic reality, but the second step must be taken as another successive approximation, which will be necessarily the clarification of deviations of reality from the model of pure economics or the utility economy. In other words, power economics has the fate to become the revision of pure economics adding the cognizance of power-modification to the stock of traditional doctrines.

Without this second approximation, the present day capitalism will not be apprehended. Keynesian economics made a trial of progress though unconsciously, and very fragmentarily, in the conception of labour supply curve involving involuntary unemployment and of autonomous government expenditure. These are all very useful and fruitful ideas but, to speak only about the former point, by smuggling the power element into the labour supply function in the form of rigid wages; the real situation is not made clear. To accept rigid wages as data is a convenient device to evade the theoretical explanation by the action of power, but labour requires at another time higher and higher wages, so that the standpoint of rigid wages as data may not be valid in the study of economic change. What is common and valid in all situations must be sought. It is the requirement of power or the satisfaction of power-will which claims rigid wages in depression and dash to require higher and higher wages in prosperity. Without penetrating into these fundamental strata, the analytical work of power economics can not be fruitful.

To explain the complexities of reality influenced by power, traditional economists used to rely on the category of monopoly. The labour supply function with rigid wage is thought of as a result of labour monopoly but this way of thinking seems to me superficial and even false. The tendency of rigid wage is prior to the propagation of union movement and does not depend necessarily on the organization of labour which in its turn is not the extension of economic action but the product of modern tendency of social emancipation, a power phenomenon. Further to say, the requirements of union contain often more than monopolistic

attitude; their means and intentions are usually political. To express and to apprehend all these movements merely as monopoly is too narrow, one-sided and false. Without insight into such fundamental and background the understanding of wage phenomena cannot be sufficient.

The Keynesian discovery of involuntary unemployment was a conspicuous step towards power economics but further steps were not tried and trodden. Keynes failed to see how consumption is amalgamated with power will so that he had not sufficiently the insight concerning the historical shifting of consumption function. The continuous shift of it is the incessant record of emulation in consumption which is caused by the drive of vanity or luxury, as shown by Tarde, Veblen, Gurewitch and others as early as the beginning of this century. When we cast a glance in the power elements in consumption, the shape of its function will change fundamentally and the fate of capitalism will be seen from a different angle. Such a view might have been the second step to power economics which Keynes has not dreamed of.

VII. QUALITATIVE AND UNDERSTANDING ECONOMICS

From J. S. Mill to Max Weber, the so-called moral sciences, or social sciences in general have common and specific features. These are explanation and understanding, rather, explanation by understanding. The objects of social sciences are called social phenomena and composed of human actions, external and internal. Action is always understood by its motives or inner causes and thereby grasped and recognized. Material things must be analyzed and experimented on to be known, but social phenomena are bound to be recognized by after-experiencing (*Nacherleben*, *Nacherfahren*) or mental experimentation (*Gedankenexperiment*). Economic theory may not be an exception, rather the most representative one among social sciences.

It may not be denied that the microeconomic theory or price analysis is the fundamental part on which all other parts of economic theories depends in the sense that the latter is explained only the former or the latter can secure its validity by being explained through the former.

But the price analysis encounters always with a dilemma. Economic

phenomena are expressed in numbers as economic quantities. At the same time, the goal of general theory or nomothetic science is attained by quantification, which is realized by homogenizing or reducing to homogeneous elements. On the other side, the understanding requires always definite motive, tendency involving various contents, a sort of heterogeneity. Facing two antagonistic requirements, we must choose the adequate combination of them, the way or the degree of which must be determined for the convenience of study.

Throughout the progress of the economic science the quantification has been realized in two directions, one in econometrics, another in economic theory, especially in mathematical economics. But through advance in the former, the further quantification by homogenization does not mean the reduction of the heterogeneous to common elements, as in natural sciences, treating different commodities as mere exchange values, accounting and aggregating together, for example to conceive national income by aggregating family consumptions and firm investments, taking into consideration their exchange values, only. But I will not dwell here long on this subject. In the final analysis, the validity of macroeconomic propositions must be demonstrated by microeconomic causal laws. The fundamental problem must lie in the realm of the latter.

Out of economic theories, take up the indifference curve. All commodities such as a, b, c, \dots stand in the relation of general substitution, being reduced to a kind of preferable objects. In reducing all commodities to comparable things, the concrete utility is missed and neglected. As above mentioned, the understanding of human actions presupposes the heterogeneity of inner motives or utilities which the convenience of study can disregard to some degree. But to determine the permissible degree is a difficult task and it will depend upon the situation of investigation. Anyhow to cast away the heterogeneities or of utilities without limit will involve the risk of misconceiving of economic realities.

At last there are several neglected problems about the composition of utilities of a commodity which involves many partial services that are not taken into consideration by any prevalent economic doctrine.

Without entering into the problem, the true nature of demand of any kind will not be clarified. There is an important distinction between two kinds of utilities or of desires. Notwithstanding of this heterogeneity which may cause and bring serious effects in the economic cosmos, theories hitherto have not paid any attention to it. Thus all propositions concerning demands are established assuming the homogeneity of utilities in various respects, especially in the law of decreasing marginal utility.

At least we must not forget the following distinction. One may divide utilities into (a) concerning welfare, (b) concerning power-seeking or deference (following the terminology of Prof. Lasswell).

First of all, the law of decreasing marginal utility may not require general validity. It seems to me that the applicability of it will be restricted to welfare utility. As to the variations of utility (b), owing to the increase in possession, some different and not yet sufficiently investigated directions may be shown which will cast new light into the field of economic dynamics.

VIII. TWO POSSIBLE DIRECTIONS IN ECONOMIC THEORY

Thus it seems to me that economic theory has two directions in its future development. One is the advance toward the endless quantification and homogenization. In natural sciences, this analytic process will go on until it reaches the last thing, simple and indivisible, so that all concrete events and changes will be explained as the interactions of them. The further the analysis is performed, the wider range of the causal explanations will become mutually consistent. However, difficult and unrealizable it may be, the causal and general law is the last goal standing forever in this direction, though the knowledge in reality can not leap out of the realm of "stochastics." But this generalizing direction in economic sphere, as well as in the case of other social sciences, encounters the inevitable fate that it does not lead to the last thing, the indivisible element but to the aggregate, which may be calculated by counting any commodity as economic value (exchange value), abandoning the heterogeneous side of material content. The road of quantification in this field attains the wholly different result compared

with cases of natural sciences. The further we advance along this direction, the further we deviate from the understanding and explanatory attitude. In this case what we get is necessarily correlation; that is, functional relations between aggregates which lie too far from the sphere of understanding by motives. In social economy the last thing, the starting point of explanation, is not the construction of fiction such as atoms, electrons: it is the individual, the social monad which must be considered as the social atom, and to know what it is we need not any phantasy; any microscopic theory of economics is merely a system of reflections of self (also of other-selves with homogeneous construction, the human nature) concerning the acquisition of material services.

In this sense, all social sciences are the self-reflection of social monad in kernel.

What moves the social monad? Whatever we name it, it is the desire or utility without doubt and in its earlier stage of development, economics paid some attention to human desires especially in continent. But since the advent of general equilibrium theory it casts them away into data which economics itself may not touch and investigate. So far as they belong to the welfare value, that is, animal or organic desires, the common sense in each epoch will be sufficient to construct economic theories, but there remains another side; that is, the social side or the deference value side, chiefly pertaining to the so-called power-will.

It is very complicated by the interference of institutions, and difficult to understand, because it is combined and interwoven with other desires. It belongs to the everworking sphere among the desires, so that we are incessantly influenced by it but hardly having consciousness of it. Since the understanding is the principal road to scientific truth in social sciences, the qualitative analysis of desires must not be forgotten. In order that the social side of utility may be brought to light, the contrary direction to general quantification must be pursued which cut away the qualitative element.

To this end the shortest way must be the accentuation of social desires par excellence, that is the desire for power. For this purpose economics will have no other measure than to absorb and rely upon the

knowledge of sociology. To revise and reform economic theories of the present day, it seems very natural and convenient to reconstruct as sociological, especially in the part of economic dynamics because its development and change do not arise from welfare desire or organic desire which lead to hedonistic equilibrium naturally, but only from deference desire or emulation in power, which stimulates and promotes to the everlasting change and expansion.

IX. SOME IMPORTANT PROBLEMS

Though this is not the proper place to develop a tentative system of power theory of economics, it is not so difficult to predict what are the important problems which deserve fundamental analysis. As mentioned above, the traditional theory including the Keynesian branch did not try to explain the other blade of cost side and left it untouched. In this sense, the orthodox theories including the marginal productivity theory of factor prices are at best a first approximation which assumes the perfectly passive attitude of factor suppliers, especially of labourers. It is too fictive, too unreal, supposing that unemployment and idle equipment do not exist. The lacking blade which makes clear the necessity of those underutilization must be comprehended by the power theory which takes into consideration the resistance of power as the true nature of cost which was presumed by Marshall and Walras as the pain or disutility of labour, by the Austrians as the possible utility of labour, and by the old Classical School as the labour itself, thus evading the circular reasoning of the superficial cost principle. This blade of power, a blade hitherto lacking, can further be analyzed only sociologically. The concept of power was a taboo for economic theories for long years since the day of birth of our science, but the influence of it penetrates into all parts of economic reality. To understand it, we must not hesitate to take into our conceptual frame-work. To analyze the modifying influences, by that element, it is convenient or rather necessary to absorb the accumulated knowledge about it from sociology and politics.

Without the revolutionary step of taboo-elimination, economic theory may not be adequate for reality, may not be consequent in its system.

The two blades, utility and power, cooperate to determine the equilibrium quantities so that the second approximation must be the acceptance of the elements of power in principle. This sociological blade and the utilitarian (or hedonistic) blade work together side by side to determine the wage rate, the principal form of cost.

This view must lead necessarily to a kind of interest theory, seemingly similar to the category of traditional doctrine, but in fact, it will become a sociological theory of interest.

The static equilibrium with everlasting unutilized labour and equipment may not be constructed theoretically without introducing power element, a deviator into the economic cosmos which otherwise may be determined by utilities alone, which tends to full utilization of both factor. To be more adequate for the economic reality, a step to the second approximation must be trodden to induce power into the economic cosmos so that (1) the static equilibrium with underemployment may be plainly explicable, (2) the incessant increasing of net income per capita, that is, economic expansion through innovation (in production) may be easily grasped and traced as a necessity, (3) the continuous raising up of the standard of living will be apprehended as necessity.

The explanation of these salient features of the social economy may be made clear only by means of the concept of power which induces a dynamic, therefore disequilibrating tendency. These are three significant problems which must be explained by understanding through the pursuit of motivation. The trials to solve them according to the tradition or social sciences were not successful or rather were not tried.

As to the first problem, the rigidity of wage or the inertia of wage are assumed as data without giving the "why" about it. That assumption is not valid in itself since wage seems to be rigid in depression but shows the tendency to rise sometimes, especially in prosperity without limit. Without assuming both tendencies and without explaining these by the motivational process, the basic foundation of economics can not be established.

Concerning the second problem, the Marxian theory of the necessary

advance of productive forces (Produktivkräfte) or the Schumpeterian concept of innovation must be appreciated but to take into account the advance and innovation as given data the imposed procedure of understanding is not tried and performed, the hidden ground of economic progress in human nature is neglected and discarded. It will be found only in the depth of power-will.

Thirdly the economic progress accompanying the heaping of immensely huge equipment and output is caused by the above mentioned motivation and to say more about it, which is made to be assured only by the progress of personal consumption, but the true nature of the unceased rising of the level of consumption can be understood at the enduring process of power displaying. These important aspects of economic change are too many symptoms of power-will to be ignored. Thoroughly to understand and to explain economic life, especially capitalism declining as well as rising, by clarifying the deep root of human nature which pursues more than mere welfare, can be possible only by the sociological school of economics, very old from the days of Hobbes and yet very young, because it is not yet systematized though suggested by Tarde, Tugan and Veblen.

For this purpose I hope to prolong the analytical process towards the motivation-causation which may be called "sociological", of course, the term "sociological" does not mean unconditionally the successive tracing of action by power-will. But the uncultivated soil in economics is the area which is waiting the understanding by power-will so that the term may mean in practice the advance in this direction.

ECONOMIC COMPETITION, REAL AND IMAGINED

SHOZO SOBAJIMA

I

So-called modern economics, often called the neo-classical school of economics, differs from the classical school in that it has substituted the subjective theory of value for the objective labor theory and, in connection with this, has attached great importance to the marginal principle as instrument of analysis. On the other hand, the both schools have the following features in common. First, they find the key subject of economic researches in the internal analysis of the process of exchanges and, in consequence, in the formal and deductive study of economic equilibrium that would be automatically brought about by dint of the price mechanism. Second, both of them stick to the so-called methodological individualism or the method of microeconomics, and maintain that economic laws acquired by way of their abstract and formal analysis would, on account of their pureness, be of universal and eternal validity. (I have to give a comment on the former part of the second point stated above. As classical economists in general were interested in the social process itself of economic activities and, moreover, as they did not fail to pay special attention to the direct effects of the social forces upon the economic phenomena, it was natural that they advocated objective theory of value, giving little attention to the individual-subjective factors. In contrast, for the subjective value theory of the modern economics, stemming from, and based on, the Austrian theory of marginal utility, it is likewise natural to start with the analysis of an individual and his wants, and hence the methodological individualism. It may be a mistake to neglect this difference between macroeconomics and microeconomics, so to speak, but I would not give too great importance to it, in consideration of the historic significance of the recent developments of truly dynamic macroeconomics).

The key subject of political economy which was succeeded from the classical school to the modern economics is said to have been brought to completion, when the analysis of "departmental" equilibrium grew into that of "general" equilibrium. To put it in brief, the new theory of general equilibrium explains substantially as follows. Under the given and constant data—such as, among others, social demand function for the various products, social supply function of the productive goods, and the manufacturing know-how,—free and all-out competition among the individual economic units, i.e. private enterprises and households, would eventually end in a static state of general equilibrium. There would be no room left in this state for the producers and the consumers to increase their profit margin and satisfaction, respectively. In such a static equilibrium the prices of all the products would be equal to their marginal costs of production, and the whole supply would be in steady demand at these prices. At the same time, on the assumption that "free entry" is secured between the different enterprises as well as between the different productive resources,—and this is no more than the assumption of "perfect competition",—factors of production of the same quality would command the same prices, corresponding to their marginal productivity, in all branches of employment, and the whole supply of the factors would be employed without exception. Now, in such a state of general equilibrium as an outcome of free and all-out competition, all the economic resources that exist would assuredly be utilized to the fullest and the entire productive capacities would, again assuredly, be allocated among the different uses in the most rational way.

It is in consideration of the merits outlined above that so-called "competitive norm" has been postulated as a useful criterion of the economic process. Most economists have pronounced a benediction upon this at once exact and elegant system of general equilibrium and found in it a happy accomplishment of political economy. Some have gone a step further and mistaken the theoretical formation of general equilibrium on the level of pure logic for the actual realization of the maximum of social welfare.

II

It is important, however, not to overlook the truth that the common features, stated above and generally approved, between the classical and the modern economics are not so good as they look. To be more exact, what is regarded as a completion of the key subject of classical economists, that is, the theory of the automatic formation of general equilibrium, could be advocated only on condition that the following unreal assumptions were admitted. First, equality of opportunity would always be guaranteed for every member in capitalist economy, notwithstanding the historical fact that competition has a natural tendency to be transformed into monopolization. Second, social powers and especially class strifes would not have any influence upon the economic activities, in spite of the fact that in reality there is no "homo economicus" devoid of the will to power. (Needless to say, the assumption of given and constant data, a necessary condition for the formation of a static state, is no more than a speculative postulate that makes us ignore the historical events and the factual changes in social institutions).

We need not now have a long argument about this point, and I think it may suffice to see the difference in the keynote as between J. B. Say's economic system and the modern theory of general equilibrium. Say's empirical law of market is a development from Adam Smith's metaphysical idea of natural order or prearranged harmony, the keynote of the *Wealth of Nations*. Such characteristics as self-sufficiency, autonomy, purity and objectivity, inherent in Say's economic system, are not fictitious and non-objective generalities, but are rather the intellectual reflections of the actual life-environment of his times. And that is why he could follow in his economic study the research method of physical science and did, at the same time, play an important part in the progress both of economic theory and economic practice. As compared with Say's system, all through the modern economic theory, in which a state of general equilibrium as an outcome of all-out competition is held in high esteem, runs a faint suggestion of excuse. No student of the history of economic doctrines should lose sight of this nuance of mood between the two systems, both of which are the theoretical

products of the one and same method of formal and objective analysis. It is not without reason, I think, that the general equilibrium theory is said to be in keeping with socialistic system of economy rather than with the capitalistic.

III

We have suggested above that the real difference in the keynote as between Say's system and the modern theory, in spite of the formal and methodological similarity between them, is due, among others, to, first, the historical change in the features of actual capitalist economy and, second, the existence of influences of social powers and class strifes upon economic processes. But I do not intend now to give a detailed explanation of these historical and social facts, being contented with the mere suggestion of them. In the following argument, I would rather lay stress on the logical reasoning that so-called "competitive norm" is conceptually impossible except in the fictitious world.

Substance of general competition has ceased to exist for a long time, yet the theoretical economists have not ceased to adhere to the mere "idea" of general economic competition, making a fetish of it as an accelerator of the supposed increase in efficiency. It goes without saying, however, that we have never had so-called "perfect competition" or "ideal market," and that they will never come into existence. The most perfect competition in existence is no more than a form of market, in which monopolistic elements have comparatively the least influence and the knowledge of the conditions of supply and demand is relatively perfect. Thus the actual "perfect" market is naturally considered to be an "imperfect" market with the minimum, by comparison, of imperfectness, so to speak. And this is quite in the nature of things, in so far as we give due consideration to the fact that the following tendencies are strongly in evidence in the very competitive system itself. First, now that the pursuit of profits is the sole object of the capitalistic enterprises,—or, in other words, since the competition for its own sake does not constitute a characteristic feature of capitalist economy,—they are bound to attempt at every opportunity to maximize the profit margin

by means of some forms of collusion or merger. And such a natural course of things is sure to be stimulated by the increasing excess capacity of production, as this is proved by experience to be true. Second, what is given the technical term of "monopolistic competition" cannot but be an everyday experience, in so far as the slight differences, both real and imaginary, in the quality of the similar products of different suppliers are made better known to the public by means of all sorts of advertisement and propaganda, with the result that the buyers are restricted in their preferences for their customary suppliers. It is a matter of common knowledge and experience that sellers' established reputation curb buyers' free preference. Third, increasing reduction in the real costs of production, as a result of the introduction of new manufacturing techniques that are usually accompanied by the adoption of new methods of larger scale production, must foster such quasi-monopolistic forms of market as are called "polipoly" or "oligopoly".

Before this natural tendency toward monopolization as a result of technical developments, one may argue that its advance will sooner or later be held in check, owing to the arrival of the "capital-saturation point", so to speak, where the marginal efficiency of new investment begins to diminish. At this point, it is said, waste of capital attendant upon the larger scale of management will surpass the possible technical economy in real costs that might accompany the larger scale of production. One might see here the law of diminishing returns, applied to the employment of capital. It is not yet generally confirmed, however, that the advantage of larger scale production does not surpass the disadvantage of larger scale management. In this connection we must pay due attention to the growing tendency toward "automation", that may be counteractive to the increasing expenses of personnel and labor management. Again, we hear another argument against the above thesis that the struggle for larger scale production will, as a matter of course, bring about monopolistic situations. It is said, namely, that this thesis overlooks the fact that increase in demand, i.e. extension of the market, for the products goes along with increase in the supply of them. Such an argument,

suggestive of Say's law, is, in my judgment, rather in support of, than against, the actual tendency toward monopolization.

I take this occasion to say that private monopolization is available not only to the business enterprises in general, but also to the labor unions or the similar organizations for control. Organized labor can make effective use of its monopolistic power in maintaining the wage levels, so that some economists are not right when they insist that monopoly in economic science should have an immediate connection solely with the acquisition of private profits.

IV

In consideration of the premises, all sorts of free competition in existence should be, to a certain extent, monopolistic or imperfect competition in a broader sense of the word, as I stated before. And these realistic competitions, in proportion to the increase of monopolistic and frictional elements contained in them, cannot but be attended with a variety of waste or irrationality, which the "competitive norm" does not know. For example, now that the demand for the products of individual producers is, more or less, lacking in elasticity and, in consequence, an increase of their sales is impossible without a certain reduction of prices, specialization in production may to some extent be hindered and the accompanying benefits of lower costs may not be materialized. That the supply of labor has not infinite elasticity may cause underemployment and underproduction, both of which are no less than the wastes of productive resources. But we need not treat of the present subject in detail; I think, for we can here easily recall to our mind a number of well-known demerits of monopolistic situations.

Now we must take a step forward to interpret the point of argument that is of much greater importance and, at the same time, can serve better the purpose of this paper,—that is, an explanation of logical impossibility of the "competitive norm".

In the first place, the "competitive norm" presupposes that many sellers are in competition with many buyers, but each of them has no separate control over the price. In this form of market, entirely devoid

of monopolistic influences—and, on that account, often called the “pure competition”,—each and every seller is able to sell off all his goods at the the given market price. Even a slight cut in his supply price would be for him an unnecessary sacrifice, while he would miss all chances to sell by a slight raise in his price. Is it necessary for individual sellers in such a situation to compete with each other and with the buyers? We should answer in the negative, for in this state of “pure competition”, those elements which the sound common sense looks upon as competitive are left out.

What, then, if we dare call the “pure competition” into existence? There is, by definition, no room for the monopolistic elements here, but there can remain, none the less, the state of things that goes by the name of “imperfect knowledge” of the market condition. (One might contend in this connection that the “perfect knowledge” of the conditions both of supply and demand has been a tacit presumption implicated in the theory of general equilibrium and hence in the postulate of competitive norm. The idea of “frictionless market” is perhaps a corresponding expression for it. This may be true in a sense, but, on the other hand, such notions as “*par tâtonnements*”, “*prix crié*” (Léon Walras) and the higgling process of “recontract” (Edgeworth) are suggestive of loose connection between perfect knowledge and perfect competition). At any rate, so long as the perfect knowledge of the market condition is not taken for granted, individual sellers are not in a position to have full and accurate knowledge with regard to the demand conditions, as well as with regard to the production plans of other suppliers. And, to introduce competition on this assumption of imperfect knowledge is, naturally, to bring about the difficulties either of overinvestment or of underinvestment. These difficulties may, of course, be removed, but only with some difficulty and through the *ex post* processes of “trial and error”, that is to say, with a sort of waste. Needless to say, such a waste can also result from imperfect knowledge of the consumers as to the quality of consumption goods. That the unorganized wage earners are not well informed of the condition of labor markets and are, consequently, liable to be at a disadvantage in the

wage struggle, offers another example of the same nature.

Let us now go a further step forward and see how the matter should turn out, if we admit the assumption of "ideal" market or the literally "perfect" competition. The ideal market must meet the following three requirements. First, every bit of monopolistic influence is put away, so that neither sellers nor buyers have individually any control over the price,—the assumption of "pure competition". Second, everybody can start any business as he pleases and at any time, and also any productive factors and resources have always a good command of "free entry",—the assumption of "perfect competition". Third, the conditions and movements of the supply and demand are thoroughly known to all the participants in the market. Here we have the most ideal form of market we can think out, in which, it is imagined, the most perfect competition would effectively be put into practice. However, I am convinced that this is still a matter for debate, to tell the truth. For the natural consequence that follows the assumption of "free entry", that is to say, the wholesale and frictionless mutual adaptability among the economic quantities, must be either the recurrence of static state, under the given and constant data, or else the ceaseless dynamic processes in pursuit of every change in the data. And, apart from a static state that lacks actuality, a dynamic process, in proportion as it becomes more and more dynamic, tends rather to weaken the incentive to compete. In addition, the assumption of "perfect knowledge", when coupled with the above-mentioned, ought to exclude, from the very start, all the motives for competitive behavior. The reason is simple and obvious and may be described as follows: anyone's attempt to reduce his supply price → the others' follow in the wake of him → extinction of his expected profit → foreknowledge of this happening → his giving up of the very attempt itself.

Thus, we are at last led to the seemingly paradoxical conclusion that "perfectness" becomes of its own accord a menace to the existence of "perfect" competition.

V

It goes without saying that the said seeming paradox disappears, if

we merely base our ideas on the real conditions and rewrite our conclusion as follows: the concept of competition is in reality a matter of degree, after all. And this is true of its co-ordinate concept, monopoly, as well. Suffice it to say that the existing monopolistic organizations of various kinds are susceptible of diverse and many-sided meanings and, in accordance with this, do not allow of any precise measurement of what is called the "degree of monopoly". It is no wonder, therefore, that in practice monopolistic enterprises do compete with each other, and that in theory monopoly is compatible with competition. Such is an inevitable conclusion, in my judgment, so long as we stick to the principle of objective analysis, rejecting any ideological prejudice.

In any case, but for the excessive praise the "competitive norm" has hitherto enjoyed in face of the increasingly marked tendency to monopolization, the argument in the preceding section would not have been explained at such length. Now is the time, I am sure, for the technical economists to reflect upon the probable discrepancy between the formal and happy state of general equilibrium, a derivative from merely theoretical hypotheses, on the one hand, and the real and unhappy state of increasing disequilibrium, liable to be covered up by this derivation, on the other.

Let us stop just for a little while to suspect whether the so-called "perfect competition" does not rather increase inequality in the social distribution of income, unless it presupposes, at the outset, at least the equality of income distribution. As a professional student of international economics I cannot but remember in this connection, that the ideological notion of prearranged harmony, so much advocated by the formal theory of comparative cost, has turned out to be an increase in the discrepancies between nations concerned in their actual economic development.

VI

I should like to make a remark with a view to dispel possible misunderstandings. I am not of the opinion that economic competition is neither useless nor unnecessary. It is useless and impossible, from the very first, to remove the impulse and impetus to compete, since

they seem to originate in the human nature itself. It is also well known that economic competition in existence, in contrast with monopoly, does afford the opportunities for carrying out so-called innovations,—such as the adoption of new methods of production and the introduction of new products of better quality and of lower price, in particular,—and thus can promote the well-being of people. And this promotion of the economic welfare does not go hand in hand with increase in social injustice, so long as the competitive sphere stands at advantage over the monopolistic. It is true that minor and inefficient enterprises are destined to lose in the hot competition, but this is a necessary price for the rapid economic progress and, therefore, is not a sheer waste. It is also true that keen competition lavishes money on propaganda, but the publicity expenses can obtain good results, such as the better utilization of productive resources and the fairer chances for the consumers to make a good choice, for instance. The matter comes to a question of degree in the final analysis.

That considerable emphasis is now placed upon the national income approach to economic analysis; that this approach is increasingly integrated with the institutional discussions and structural analysis; that the theory of economic growth (together with the theory of lasting stagnation and chronic unemployment) show a sign of taking the place of the theory of business cycles;—all these movements are indications that our science is now getting back its inborn characteristics as a branch of social sciences (the “dismal” science), that were concealed from us owing to the solely technical analysis based on the “competitive norm”.

LE PROGRES ET L'ACTIVITE DE L'ETUDE DE L'HISTOIRE ECONOMIQUE DU JAPON

DEUXIEME PARTIE

MATAJI MIYAMOTO

I

Depuis le conflit sino-japonais, le Japon de plus en plus a été dominé par les idées du totalitarisme et du Facisme. La liberté d'expression est supprimée. L'indépendance de la recherche est très restreinte, car le Japon est entré dans une phase d'économie fermée.

Les idées de liberté de la démocratie européenne, cessent de pénétrer dans notre pays. Surtout l'étude historique a particulièrement perdu de son esprit scientifique. La science historique est alors tombée sous la dépendance de l'Etat. Beaucoup de savants professent avec un esprit de flatterie, la divinité de l'Empereur.

En géopolitique, on conçoit l'idéal de l'expansion territorial. Pour fortifier et justifier les idées de la puissance absolue de Tenno et de la sphère de "la grande Asie", on imagine quelque théorie irrationnelle. L'étude historique scientifique proprement dite a disparu. Il va sans dire que les recherches sur le matérialisme historique sont interdites par les autorités. L'étude analytique sur le capitalisme du Japon est pratiquement interrompue, mais avant la 2^e guerre mondiale, il y a encore quelques travaux sur cette doctrine. En particulier l'activité de l'école "Rono" n'est pas encore supprimée. On peut citer les études suivantes : Aperçu général du capitalisme du Japon (Nihon Shihonshugi Hattatsushi Gaisetsu) par Tsuchiya-Takao et Okazaki-Saburo, 1937 ; Etudes du capitalisme du Japon (Nihon Shihonshugi Ronshu) par Takao Tsuchiya, 1937 ; Sur quelques problèmes de l'histoire économique et sociale du Japon (Nihon Shakai Keizaishi no Shomondai) par Itsuro Sakisaka, 1937. Mais ce courant d'études ne devait pas continuer longtemps. Heureusement dans ce domaine, ceux qui s'appellent Jisshoshugi, c'est-à-dire qui

ont adopté la méthode de preuve par l'étude impartiale des matières historiques gardent toujours leur place et malgré la suppression du pouvoir, certains historiens-économistes n'acceptent pas de se soumettre et maintiennent toujours une attitude purement scientifique. En dépit de multiples manœuvres d'un certain politicien de tendance totalitaire pour supprimer la liberté de la recherche, l'esprit scientifique ne modifie pas son attitude.

Dans cette étroite vallée de la recherche, assombrie par les lourds nuages de l'oppression, les historiens s'efforçaient de poursuivre consciencieusement leurs études. Par conséquent on peut citer quelques travaux très estimables; par exemple, "Nōsonshakai no Kenkyu" (L'étude de la société rurale) par Kizaemon Ariga en 1938 qui a poursuivi l'étude de la structure agricole en puisant avec succès dans les sources du Folklore. Il constate que le régime de "Kosaku" du Japon a son origine dans le système de la famille de type patrimonial; "Yōeki Rodosei no Hokai Katei" (La décadence du régime de corvées dans l'agriculture, 1938) par Toshio Furushima et Hisao Sekizima; "Hyakusho Ikki oyobi Nenpyo" (Aperçu général sur la révolte paysanne et sa chronique, 1939) par Kokusho-Iwao, est le résultat d'une enquête approfondie et minutieuse. Dans "Nihon Shoen Keizaishiron" par Tsuneharu Egashira (Etudes sur les domaines féodaux dans l'histoire économique, 1943), on trouve des chapitres très brefs, mais non moins explicites sur l'économie médiévale. On lui doit une heureuse innovation celle d'une vue panoramique qui domine admirablement le moyen âge, consacrée au régime domanial et aux diverses étapes de son évolution. Et puis, Etudes de l'histoire de Shoen de Koyasan (Koyasanryo-shoen no Kenkyu, 1938) par Egashira-Tsuneharu est un travail remarquable, parce que cette seigneurie est le plus grand "Shoen" ecclésiastique: c'est une monographie régionale excellente. En ce qui concerne l'histoire économique et sociale du moyen âge, on peut citer les livres suivants. Quelques problèmes sur les agglomérations urbaines et le système foncier (Tochi oyobi Shuraku Shijyo no Shomondai, 1938) par Makino-Shinnosuke; Etude de la société médiévale (Chusei Shakai no Kenkyu, 1939) par Nakamura-Kichiji; Essai sur les villes médiévales (Nihon Chusei Toshi-

ron, 1940) par Motoo-Yendo; Traité sur l'histoire du système du Shoen (Nihon Shoensei Shiron, 1943) par Takeo Ono; Histoire de l'irrigation au moyen âge (Chusei Kangai-shi, 1943) par Hogetsu-Keigo; La société féodale (Hoken Shakai, 1943) par Nakamura-Yoshiharu. Les barrières pour le contrôle des voies de communication dans le Japon médiéval (Chusei no Sekisho, 1943) par Aida-Jiro. Etudes sur les fiefs médiévaux (Shoen no Kenkyu, 1939) par Nakamura-Naokatsu. Les villages japonais du moyen âge (Nihon Chusei no Sonraku, 1942) par Shimizu-Mitsuo. Problèmes monétaires dans la société féodale (Hoken Shakai no Tsuka Mondai, 1939) par Maruyama-Kiyoyasu.

Les conditions de la paysannerie et les mouvements sociaux ruraux au moyen âge ont été surtout étudiés dans "Chusei Shakai no Kenkyu" par Nakamura-Kichiji. Il a traité surtout de l'insurrection des paysans du moyen âge, c'est-à-dire Tsuchi ikki. Certes ce sont surtout les historiens-historistes qui continuent à fournir l'apport le plus important à l'histoire de la période ancienne et médiévale.

Excellent est le livre consacré par Mitsuo-Shimizu au village du moyen âge (Nihon Chusei no Sonraku, 1942). Aussi sur le problème des importantes agglomérations urbaines il a été écrit: Chusei ni okeru Toshi no Kenkyu, 1937, (Etude des villes à l'époque médiévale) par Tomohiko Harada.

M. Takeuchi-Rizo a consacré un volume sur les seigneuries ecclésiastiques buddhistes du moyen âge (Jirye Shoen no Kenkyu, 1942). Takeuchi donne de nombreuses études sur la complexité de la structure de la transformation de l'Antiquité au régime domaniale.

Concernant l'époque ancienne on doit citer les ouvrages suivantes: Les origines de l'agriculture japonaise (Nihon Noko-bunka no Kigen, 1941) par Morimoto-Rokuji; Etudes sur le système de la séparation des terres à l'époque Nara (Handen Shuju no Kenkyu, 1944) par Imamiya-Arate; Histoire de l'élevage dans le Japon ancien (Nihon Kodai Kachiku Shi 1945) par Igata-Teiryô.

L'histoire commerciale et industrielle est très développée. Les deux noms qui dominent en ces matières sont Keishi Ono dont le livre sur le développement de l'industrie du Japon abonde en suggestions et

en vues profondément humaines. Il fournit une bibliographie d'une richesse exceptionnelle. D'autre part Takeshi Toyoda qui a écrit une remarquable synthèse sur l'histoire économique du moyen âge, surtout au point de vue commerciale; Chusei-Nihon Shogyo-shi no Kenkyu (Etudes sur l'histoire commerciale du Japon au moyen âge, 1939) est un ouvrage excellent. Il met en lumière la structure commerciale du moyen âge et tente de décrire son mécanisme: la foire, les négociants en gros etc.

"Kinsei Shoki Nosei-shi Kenkyu" (Etudes sur l'histoire de l'administration agricole du début de l'époque moderne, 1939) par Nakamura-Yoshiharu: on doit accorder à ce livre le plus grand mérite. A l'aide d'une documentation abondante il explique clairement la fin du moyen âge et le commencement des temps modernes.

II

Sur l'époque moderne, c'est-à-dire l'époque de Edo ou Tokugawa parmi les nombreux d'ouvrages intéressants, on peut retenir les titres suivants: Etudes sur la société féodale du Tokugawa (Tokugawa Hoken Shakai no Kenkyu, 1941) par Nomura-Kanetaro; Structure de l'agriculture japonaise à l'époque de Tokugawa (Kinsei Nihon Nogyo no Kozo, 1943) par Furusnima-Toshio.

J'ai écrit un livre intitulé "Kabunakama no Kenkyu" (L'étude de corporation de marchands à l'époque de Tokugawa, par Mataji Miyamoto, 1939) qui est le résultat de longues et munitieuses recherches. L'utilité de cet ouvrage a été reconnue.

De plus j'ai fait publier deux autres études: "Organisations commerciales à l'époque de Tokugawa" (Kinsei Shogyo Soshiki no Kenkyu, par Mataji Miyamoto 1939) et "Le conscience sociale des marchands à l'époque de Tokugawa" (Kinsei Shonin Ishiki no Kenkyu, par Mataji Miyamoto, 1941). Je me suis efforcé dans ce dernier ouvrage de mettre en lumière la genèse de l'esprit bourgeois du Japon à l'époque de Tokugawa.

"Chonin" (Marchands et artisans qui habitent dans la ville, bourgeois à l'époque de Tokugawa, 1939) par Sakata-Yoshio est aussi une

étude excellente. Kanno-Wataro a fait une étude sur des marchands d'Omi, qui ont eu une grande prépondérance dans tous les domaines à l'époque des Tokugawa: *Etudes de marchands d'Omi (Omi Shonin no Kenkyu, 1941)*.

En dépit de cette activité, les lacunes qui subsistent encore dans ce domaine sont considérables. A ce moment les recherches consacrées au commerce extérieur entre le Japon et la Chine sont devenues plus nombreuses.

Obata-Jun a consacré deux volumes au commerce entre la Chine et le Sud-Est de l'Asie: *Chusei Nankai Tsuko-boeki-shi no Kenkyu, 1939*; *Chusei Nitsushi Tsuko-shi no Kenkyu, 1941*.

Le Japon à la fin de l'ancien régime, ouvrit ses portes. Le problème du commerce extérieur se pose alors. On trouve d'excellents ouvrages sur cette question. *Histoire du commerce extérieur à la fin du Shogunat (Bakumatsu Boeki-shi)* par Yamaguchi-Kazuo, 1943. *Etudes sur l'histoire commerciale à la fin de Shogunat (Bakumatsu Boeki-shi no Kenkyu, 1944)* par Ishii-Takashi.

Dans le domaine de l'histoire du transport et des communications, il convient de citer ici l'intéressant travail de Kuroha et Ôyama: *Traité de l'histoire économique des communications à l'époque de Tokugawa (Kinsei Kotsu Keizai-shiron, 1941)* par Ôyama-Shikitaro; *Etudes de l'histoire des communications à l'époque de Tokugawa (Kinsei Kotsu-shi Kenkyu, 1943)* par Kuroha-Hyojiro.

On peut consulter sur l'histoire de la pensée économique avec profit les livres suivants: *Histoire de la pensée économique japonaise (Nihon Keizai Shiso shi 1942)* par Honjo; *Etudes historiques sur l'économie et la pensée japonaise (Shiteki Kenkyu Nihon no Keizai to Shiso, 1943)* par Honjo; *Les courants d'idées sur les problèmes économiques à l'époque des Tokugawa (Tokugawa Jidai no Keizaishiso, 1939)* par Nomura-Kanetaro.

Un autre aspect essentiel de l'histoire économique et sociale est celui de problèmes démographiques. On peut consulter à ce sujet d'une part l'histoire de la population du Japon par E. Honjo., d'autre part les ouvrages de Naotaro Sekiyama et Bonsen Takahashi. Honjo a constaté

que la population de la première moitié de l'époque de Tokugawa s'est accrue, mais que dans la dernière moitié de cette époque elle est restée stationnaire.

Sur l'époque contemporaine on peut citer ci-dessous. Histoire de développement du capitalisme au Japon (Nihon Shihon Shugi-shi, 1939) par Takahashi-Kamekichi. Introduction à l'histoire industrielle du Japon moderne (Kinsei Nihon Sangyo-shi, 1942) par Shinobu-Seizaburo.

Les directeurs capitalistes dans l'histoire japonaise (Nihon Shihon Shugi no Shidosha-tachi, 1939) par Tsuchiya-Takao.

Pour connaître généralement le développement économique du Japon, il est commode de consulter les manuels ou précis, par exemple : Histoire économique japonaise par E. Honjo, 1940 ; Précis d'histoire économique japonaise par Tsuchiya-Takao, 1934-1940 ; Histoire commerciale japonaise par Mataji Miyamoto, 1943.

Si l'on désire consulter les livres et articles relatifs à cette période, on peut se référer avec profit aux études suivantes : Nihon Keizai-shi Shin-bunken réuni par le Dr. E. Honjo, 1942, (Nouvelles bibliographie de l'histoire économique du Japon) qui nous renseigne sur les titres des livres et articles publiés depuis 1932 jusqu'à 1940.

On peut ajouter à cette liste un ouvrage "Shakai Keizai Shigaku no hattatsu" rédigé par Shakai Keizai Shigakukai en 1944 (Développement des études économiques et sociales publié par La société d'histoire économique et sociale).

"Annales d'histoire économique" (Keizaishi Nen Kan) publiées chaque année (1932—1944) par l'Institut d'histoire économique du Japon, nous permettent de connaître la liste des ouvrages et des articles parus sur ce sujet.

III

Au cours de la deuxième guerre mondiale, les sciences historiques ont subi, de même que tout l'ensemble des sciences et de la civilisation japonaise, des pertes énormes ; ces pertes ont porté aussi bien sur les cadres,—au moins une centaine de savants disparus—que sur la base matérielle.

Cependant, dès 1943, des esprits lucides se rendent compte, au Japon même, que leur pays courrait à la plus grande catastrophe de son histoire. La bombe d'Hiroshima, le 8 août 1945, ne fit que précipiter l'effondrement prévu. Très vite, pourtant, l'opposition libérale, sur les ruines du militarisme vaincu, redressait la situation, toujours au nom de l'empereur.

En 1945, le Japon avait cessé les hostilités. Il était revenu à ses frontières de 1868, sa population était de 75 millions d'habitant. En perdant son empire, il avait aussi perdu les trois quarts de sa capacité de production de 1940.

Cependant la Japon gardait sa vocation : d'être la première puissance industrielle d'Asie. L'Amérique lançait son programme de démocratisation. Pendant ce temps, l'inflation augmentait, le marché noir se développait partout. Les quelques années qui suivirent furent une curieuse période de confusion. Mais, on peut inscrire à son actif la réforme agraire. Le régime démocratique s'installa au Japon. Alors la nature de la science historique du Japon a aussi complètement changé. Cette science s'est développée très rapidement, très librement dès le lendemain de la 2ème guerre mondiale.

Par suite de la chute du militarisme japonais trois tendances nouvelles ont apparu.

Premièrement les études historiques traditionnelles depuis la révolution de Meiji étaient sous le patronage du gouvernement dominant par l'absolutisme et la philosophie de droit divin. Cette tendance atteint son point culminant pendant la dernière guerre.

Avec la chute de l'absolutisme et du militarisme en 1945, pourtant, les études historiques traditionnelles qui étaient centrées sur Tenno reçurent un coup fatal et perdirent leurs influences dirigeantes dans le domaine historique.

Il y eut en outre de cette école que nous avons mentionné, il y avait aussi avant guerre une autre école qui considérait l'histoire comme une science sociale et recherchait les lois qui avaient présidé au développement historique du système social. Cette école était dirigée par quelques économistes et historiens de tendance progressistes qui tentèrent de continuer leurs

études même pendant la guerre, malgré la politique totalitaire du gouvernement qui s'efforçait de répandre des idées irrationnels et facistes, l'activité scientifique se poursuivait dans le secret.

Voilà la chute. Par suite de la suppression du militarisme japonaise, la liberté académique fut restaurée et l'histoire, en tant que, science sociale est parvenue à jouer actuellement un rôle prédominant en historiographie japonaise.

III^e comme résultat de la décomposition de l'absolutisme et de la structure semi-féodale, la contradiction intérieure qui existe dans notre pays est mise en lumière. Aujourd'hui chaque citoyen japonais connaît bien les caractéristiques et les conditions historiques du développement du capitalisme japonais depuis la dernière moitié du 19^e siècle.

De plus sous l'influence de la réforme foncière (Nochi-Kaikaku) après la guerre, la science historique se développa rapidement. Parce que les grands propriétaires foncières ont perdu leurs fortunes et sont devenus pauvres, certains ont vendu des documents historiques qu'ils avaient hérités de leurs ancêtres. Beaucoup d'historiens utilisent ces documents avec grand profit.

Ainsi l'effort des historiens a toujours été croissant. Les dix années qui viennent de s'écouler depuis la fin de la guerre ont apporté un sensible accroissement de l'activité intellectuelle. Les historiens japonais dans leur ensembles ont pris connaissance des oeuvres classiques du marxisme—et léninisme d'une façon de plus en plus large et profonde. Cette idéologie a joué un grand rôle dans ces changements.

IV

Telles sont les conditions générales et les tendances des études historiques au Japon. Dans les lignes suivantes, j'indiquerai les activités dans ce domaine d'une façon plus concrète.

Tout d'abord les sociétés d'historiens japonais qui ont des organisations dans toutes les régions du Japon tiennent des assemblées mensuelles et annuelles qui sont les suivantes: Rekishigaku Kenkyukai (Société de la science historique) avec sa publication "Rekishigaku Kenkyu"; Shigakukai (Institut de la science historique) avec sa publication "Shi-

gaku Zasshi" (cette revue sur le modèle de "Historische Zeitschrift" allemande); Shakai-Keizai Shigakukai (publiant Shakai-Keizai-Shigaku) (Socio-economic history review, s'inspirant les "Vierteljahrshrift für Sozial und Wirtschaftsgeschichte"); Tochiseido-shigaku-kai avec sa publication "Tochiseido-Shigaku". Les articles publiés dans les revues que nous avons cités plus haut sont représentatifs de l'état actuel de la science historique du Japon d'après-guerre.

Rekishigaku Kenkyukai a le plus grand nombre de membres (environ 2000). Il est le plus actif et le plus vivant au Japon, mais cette société a une tendance politique orientée vers la gauche, c'est-à-dire qu'elle semble être dirigée par la société des savants de la science démocratique (Minshushugi Kagakusha Kyokai).

Shigaku Kai qui est la plus ancienne de toutes les sociétés fondées dans le dernier quart du 19^e siècle sous l'influence de la science historique allemande introduite après la révolution de Meiji; elle fut ultra-nationaliste pendant la guerre, mais maintenant, elle a abandonné cette position et trouve une place honorable par sa nouvelle activité. Elle s'est sensiblement élargie par rapport à la période d'avant guerre.

Shakai Keizai-shi-gakukai avait contribué avant la guerre mondiale au développement du nouveau domaine de l'histoire sociale et économique pour l'étude historique japonaise qui avait jusqu'à cette époque été confinée dans le domaine de l'histoire politique et culturelle. Elle comprend quelques historiens et économistes les plus éminents et dont les travaux sont au sommet de la science historique japonaise.

Parmi les autres centres qui se livrent à des recherches historiques surtout économiques, il faut mentionner la société de la recherche de l'histoire économique (Keizai-shi Kenkyu-kai) qui a succédé à l'ancien Institut de la recherche de l'histoire économique du Japon fondé par E. Honjo et Y. Kokusho (Keizai-shi Kenkyu-sho), mais il est très regrettable que cette société ne puisse pas encore publier sa revue. Il faut espérer que cette lacune sera comblée dans un proche avenir.

Comme nous l'avons dit il y avait quatre sociétés qui existaient déjà depuis avant la guerre; mais il y a maintenant d'autres sociétés, telle que Toshiseidoshi-Gakukai dont l'activité commença après la guerre

et qui est en étroit rapport avec la réforme foncière d'après-guerre, elle compte plus de 300 membres. De plus parmi les autres périodiques qui prennent clairement un caractère nouveau, il faut citer surtout la revue "Historia", bien documentée, publiée par la société historique d'Osaka.

Dans chaque journal et revue on trouvera toujours les articles sur l'histoire économique. En résumé les études sur l'histoire économique et sociale jouent un rôle prédominant dans notre science historique d'aujourd'hui. Nous devons citer à ce propos le "Rekishigaku no Seika to Kadai" édité par Rekishigaku Kenkyukai et "Kaiko to Tembo" (Retrospection et prospect) édité par Shigakukai et "Keizaishi-nenkan" (Annales d'histoire économique) édité par Keizaishi Kenkyukai. Ces ouvrages donnent un aperçu générale de la science historique. Le premier de ces livres a une nouvelle édition chaque année qui est publiée par la compagnie Press Iwanami, sous forme d'un volume qui contient une bibliographie détaillée. Le deuxième se trouve chaque année en mai dans la revue "Shigaku Zasshi". Le troisième, bien que son nom soit celui des annales historiques, s'étend sur un plus grand domaine. Grâce à ce livre on peut connaître facilement les nouvelles tendances de l'histoire. Il indique le titre de livres et articles parus chaque année et donne un bref résumé sur le sujet traité. Il faut y inclure aussi "Sengoni okeru Shakaikeizai-shigaku no Hattatsu" le numéro 4, 5 et 6 de tome 20 de "Shakaikeizaishigaku". On peut comprendre facilement l'activité de la science historique socio-économique depuis la fin de la dernière grande guerre.

v

Dans la suite nous donnerons un aperçu général des tendances d'après-guerre des sciences historiques, surtout économique et de activités de leurs sociétés.

Les caractères essentiels de la science historique d'après-guerre en comparaison avec ceux de la science d'avant-guerre peuvent se résumer ainsi.

I. Notre science historique reflète les préoccupations nationales concernant les problèmes sociaux et économiques. Les recherches dans

le domaine de l'histoire sociale et économique ont montré des progrès considérables en comparaison avec ceux de l'histoire politique et culturelle. Des travaux et des publications dont le nombre allait croissant commencent à montrer l'histoire des masses populaires et de la lutte de classes, abandonnant ainsi la conception étroite de ce que l'on appelait l'histoire politique.

II. D'un autre côté, il y a un effort pour unifier l'histoire économique et l'histoire politique. Ainsi on essaie de comprendre l'histoire politique au point de vue de l'histoire économique et sociale. Les nombreux travaux sur l'histoire sociale et en même temps politique ont permis de montrer de nombreux traits essentiels de la féodalité et du régime capitaliste et ont permis également de dissiper les conceptions erronées et mensongères qui se maintenaient encore en dépit de nombreuses expériences et des leçons de l'histoire.

III. Autrefois les études historiques étaient conventionnellement divisées en : histoire du Japon, histoire de l'Occident, histoire de la Chine, et d'un autre côté chronologiquement en histoire préhistorique, l'histoire ancienne, histoire médiévale, histoire moderne, histoire contemporaine. Mais de nos jours il y a une co-opération intime entre les historiens qui séparent l'histoire en trois domaines : l'histoire du Japon, de l'Asie, de l'Occident, particulièrement en ce qui concerne la méthode d'analyse historique, en favorisant l'étude de l'histoire comparée. Ceci permit d'obtenir des résultats de plus en plus riches et complexes.

IV. L'étude en co-opération avec les sciences sociales voisines (économie politique, sociologie, géographie etc) a fait de grands progrès. En effet les recherches historiques doivent servir de base à la Jittai-chosa (c'est-à-dire aux investigations actuelles), cette méthode a été développée remarquablement après la guerre. De plus beaucoup d'historiens se sont occupés, parmi leurs travaux des problèmes de l'histoire moderne et récente du Japon, ainsi que des problèmes de l'histoire universelle. Les recherches historiques sur la société contemporaine sont faites très largement et les monographies sont nombreuses. Surtout on savait que l'histoire du droit et l'histoire économique sont en fait inséparables. Nombre de travaux fait apparaître une liaison de plus en plus étroite

entre l'histoire socio-économique et celle des institutions. Depuis 1951 *Hoseishi-Kenkyu* (Legal History Review) (1—6) sont publiés chaque année par *Hoseishi Gakukai*. (Japon Legal History Association)

L'après-guerre fournit à plusieurs historiens-économistes l'occasion de s'interroger sur la nature, la portée et la méthode de leurs études.

Quelqu'un a souligné que c'est dans la continuité historique qu'il faut rechercher la garantie essentielle de l'économie politique d'autres ont montré que l'histoire économique n'existe qu'en fonction du matérialisme historique. Ce sont les tendances actuelles des historiens progressistes. Beaucoup de jeunes chercheurs sont attirés par ces tendances. Mais je ne pense pas que cette tendance soit absolument normale pour l'étude historique. De plus il y a beaucoup d'écoles sous l'influence de l'Occident, par exemple, Marc Bloch, Henri Sée, Georges Lefevre, François Simiand, Henri Hauser, Labrousse, Postan, Pirenne, Dopch, Max Weber etc.

V. En considérant ce que nous venons de dire, la publication des matières et des documents historiques est faite sur une grande échelle. Ces points résument les caractères de la science historique japonaise d'après-guerre. Comme exemple, citons la collection des sources historiques et la publication des documents historiques.

“Dai-nihonshiryo” (Matières historiques du Japon) qui ont été continuées avec l'intention de les éditer dans l'ordre chronologique en se basant sur les matières existant sur toute la période qui s'étends du 9^e siècle au 17^e siècle. Puis “Dai-nihon Komonjo” (Documents anciens du Japon) qui contient les matières des documents conservés dans le Temple, shintoïste et bouddhiste et dans la famille des Buke (Chevaliers) et qui englobe la même période. Ce sont deux continuations d'avant-guerre, après la guerre “Dai-nihon Kokiroku” (Rapports anciens du Japon) avait commencé dans le but de publier des mémoires ou quelque chose de semblable dans chaque période et aussi “Dai-nihon Kinsei Shiryo” (Documents relatifs à la période de Tokugawa) publié dans la collection des matières importantes pendant la période de Tokugawa. Des documents qui ont été publiés par le Shiryo Hensanjo (Institut historiographique ou archives nationales) dans l'Université Impériale de Tokyo qui est l'organe principal pour la publication des

documents historiques du Japon. Les publications de documents de même catégorie concernant séparément chaque période ont beaucoup augmenté sous forme de livres; "Heian-Ibun," la collection complète des sources historiques à la fin de l'époque de Heian, était déjà arrivée au 5^e volume; des matières historiques dans chaque domaine, telle que l'histoire politique, diplomatique, culturelle, sociale, et économique de la fin de l'époque de Tokugawa jusqu'à maintenant, ont aussi été publiées.

Par exemple, "Shiryō Kindai Nihonshi" (Histoire moderne fondée sur la matière historique) (1945); "Bakumatsu Kindai Gaikō Monjo" (Documents diplomatiques du Japon) (1950), "Meiji shoki Chiso Kaisei Kisoshiryō" (Sources fondamentales de la réforme de la taxe foncière au début de l'époque de Meiji), Nomutenmatsu (Conditions agraires à l'époque de Meiji). Il semble justifié de diriger non seulement les bases méthodologiques des sciences historiques japonaises qui ont été renouvelées, mais également celles des sciences auxiliaires de l'histoire qui apportent à la nouvelle interprétation des documents des matériaux analytiques et critiques et qui donnent d'importants instruments de travail aux historiens.

En paléographie, la science japonaise s'est enrichie beaucoup après la grande guerre. On peut dire que la science des archives est en plein épanouissement.

De plus on doit ajouter à ce qui vient d'être dit, qu'il y a aussi des publications actives concernant des matières classées d'après la localité ou la préfecture et se rapportant à toute la période. Par exemple "Shinano-Shiryō" (Sources historiques de Shinano-préfecture de Nagano). Après la réforme foncière, les grands propriétaires sont obligés de vendre leurs terres aux cultivateurs (Kosaku-nin). Ils ne peuvent pas garder les documents de leurs maisons, parce qu'ils sont devenus pauvres. Les matériaux historiques et les documents sont définitivement perdus.

Sous la direction du Dr. Nomura, le Comité d'enquêtes de recherches documentaires se forme pour étudier tous les documents des vulgaires à travers le pays.

L'histoire de la préfecture, de la ville ou du village a été influencée les progrès de l'étude de l'histoire locale après la guerre, mais ce qui est

remarquable, ce sont les efforts faits pour réunir ces sources. Par exemple, "Sendai Shi-shi" (Histoire de la ville de Sendai) 1949 et "Kitasaku gun shi" (Histoire de Kitasaku gun) (1955) etc.

"Showa Osaka Shi shi" rédigé par E. Honjo et "Taisho Showa Nagoya Shi shi" rédigé par E. Honjo sont publiées.

En rapport avec la reforme foncière d'après-guerre, "Nōchikaikaku Tenmatsu Gaiyo" (Histoire de la réforme foncière au Japon après la guerre) (1951) fut la première publication importante contenant des documents et des statistiques concernant la réforme foncière de tout le pays. Et les "Nochi Kaikaku shi" (Histoire de la réforme foncière de chaque préfecture) dont quelques-uns ont une grande valeur pour les enseignements qu'ils contiennent parurent successivement. Chaque préfecture a été chargée de l'enquête au sujet de la résultat de cette réforme. Citons comme exemple "Fukuoka ken Nōchikaikaku shi" auquel j'ai participé comme membre du comité de rédaction.

(à suivre)

PROFESSOR MAXWELL ON FISCAL POLICY

SEI FUJITA

In his recent work¹ Professor Maxwell presents an excellent synthesis of the theory and practice of fiscal policy in the United States. The author defines fiscal policy as "conscious use of government finance to affect countercyclically the *total* money demand for goods and services."² And he gives the following explanations on this definition of fiscal policy:³

(1) Though this approach does not deny that government policies need to be appraised for their long-run effects, the analysis is limited to countercyclical policies. According to the author, it is *not* the aim of fiscal policy to determine long-run investment-consumption objectives and try to realize them.

(2) Fiscal policy emphasizes the effects of government expenditure and revenue upon the total economy and tries to use them deliberately and consciously as a *balancing factor* to secure economic stabilization.⁴ It is, therefore, concerned neither with particular types of fiscal measures to secure some limited objectives nor with techniques for orderly government housekeeping.

(3) Fiscal policy does not aim at *perfect* stabilization of income and employment, but merely endeavours to keep swings, especially of unemployment, within modest bounds. Perfect stability could not be attained by techniques and knowledges available now or in the near future. Moreover, limited economic fluctuations bring positive gains to a free-enterprise society.

¹ James A. Maxwell, *Fiscal Policy*, New York, 1955.

² *Ibid.*, p. 11.

³ See *ibid.*, pp. 11-12 and pp. 35-36.

⁴ Whatever government is doing via spending, taxing, and borrowing may affect the level of income and employment. But haphazard and nondeliberate use of public finance is not fiscal policy. Policy implies a conscious effort. (See *ibid.*, pp. 11-12.)

Perhaps most of the American economists would have no serious objections to these explanations, and many of them would assert, as Maxwell does, that both *automatic* and *discretionary* fiscal programs are needed for economic stabilization. But as for the role, relative importance and timing of these two types of programs, there seems to be substantial discrepancy of opinion among them. To these controversial issues Maxwell gives appropriate and practical solutions.⁵ According to the author, positive compensatory fiscal measures should not be put into operation until the actual situation needs them. The main reason for this recommendation is that economic forecast, especially of turning-points, are so unreliable that positive fiscal action geared to it may be harmful rather than remedial.⁶ It cannot, however, be denied that tardy action has its own risk: inflationary or deflationary spiral might be set in motion before the realization of its compensatory effect. To minimize this risk, *built-in budget flexibility* should be strengthened as the first line of defense.

"The merits of built-in flexibility stem largely from its automatism. Stabilizing effects follow with no new legislative action and with no lag between the need for action and the effects of action."⁷ But these merits would be impaired if it were made too powerful. Since every boom and slump has different causes and features, an automatic program might be less appropriate than a discretionary program which was tailored to fit the case. Moreover, very powerful built-in flexibility would cause too sharp government revenue and expenditure variations even under mild income fluctuation. "If, then, built-in flexibility is to be given a limited role in economic stabilization, planned discretionary programs will remain important."⁸

From the above viewpoint, the author suggests various possible means for strengthening the built-in flexibility in American fiscal system to the adequate level and also examines various discretionary fiscal programs

⁵ See *Fiscal Policy*, Chapters 7 & 15.

⁶ Another defect of the anticipatory action is that it might accompany bad announcement effects. (See *ibid.*, pp. 95-96.)

⁷ *Ibid.*, p. 111.

⁸ *Ibid.*, p. 204.

in detail. His suggestions and examinations are restricted chiefly to those methods which seem feasible under current information and political framework in the United States, and they are integrated with institutional descriptions which are especially valuable for foreign readers. This is one of the great merits in this book. But those who seek the *general theory* of fiscal policy rather than the *specific theory* appropriate for the United States would find many important points which are treated inadequately or even wholly neglected in this book. Now we want to point out some of them.

(1) As explained before, the author defines the goal of fiscal policy as economic stabilization. The long-run fiscal program to influence the rate of consumption is given no attention, as he rejects the hypothesis of secular stagnation or exhilaration.⁹ But in many countries of the world, suffering from chronic and large-scale disguised unemployment, the acceleration of economic growth is even more important than economic stabilization as a goal of fiscal policy. These countries need rapid capital accumulation not only to provide jobs for annual increment of labour force and prevent technological unemployment but also to absorb millions of surplus rural population into modern industries. In low-income countries, however, the ability to save is generally poor and further, as pointed out by R. Nurkse, the intensity of the attraction exercised by the consumption standards of the advanced countries—the international demonstration effect—tends to be increased as international communication becomes closer.¹⁰ Therefore, measures for restricting consumption must be integrated with those for stepping up the rate of capital formation in order to accelerate economic growth without causing violent inflation.

It is just in this connection that the importance of taxation policy needs to be stressed above all. Even if tax revenue is held constant, the amount of total savings from a given national income can be increased by adequate adjustment of tax structure. In practice, however, a

⁹ *Fiscal Policy*, p. 35.

¹⁰ R. Nurkse, *Problems of Capital Formation in Underdeveloped Countries*, 1955, Chapter III.

considerable government saving, that is tax revenue in excess of current government expenditure, must be formed. This government saving not only serves to accelerate accumulation of social overhead capital but also provides such funds as required for high level investment in the field of important private industries. If economic stabilization should be the *only* goal of fiscal policy, it would be a sheer contradiction to make efforts for creation of government surplus and at the same time foster private investment. However, if we are to admit the acceleration of economic growth as another important goal of fiscal policy in underdeveloped countries, such apparent contradiction disappears.

(2) What we have just been concerned with is noting else but the problem of inter-temporal allocation of resources. Should the full employment be the only goal of economic policy, the best program for underdeveloped countries would be the promptest possible accumulation of capital. Unfortunately, however, capital formation can be accelerated only at the sacrifice of current consumption. Thus the interests of the present generation clash with those of the future generations. Nevertheless, under a perfectly democratic system, it is possible for a government to find out an *optimum* rate of saving that conforms to collective preference of the public. Fiscal policy for economic stabilization must at the same time endeavour to secure this optimum rate of saving.¹¹

If, as Maxwell assumed, the free behaviour of the U. S. people could be expected to realize the optimum rate of saving, the efficient allocation of resources would still remain as an important goal of fiscal policy, for the determination of optimum rate of saving or capital growth is only one of the necessary conditions for efficient utilization of resources. As emphasized by P. A. Samuelson, out of various counter-cyclical programs we must select such a combination of government spending and taxation that would be most desirable for the efficient allocation of resources as well as for economic stabilization.¹² The writer

¹¹ See P. A. Samuelson, "Full Employment versus Progress and Other Economic Goals," in *Income Stabilization for a Developing Democracy*, ed. by M. F. Millikan, 1953, pp. 547-80.

¹² See P. A. Samuelson, "Principles in Modern Fiscal Policy: A Neo-Classical Reformulation," in *Money, Trade and Economic Growth*, 1951, pp. 157-76.

is not saying that Maxwell has neglected this point, but at least his explanation on it is very inadequate.

(3) Even if fiscal policy for economic stabilization and growth is performed with due consideration for the efficiency of resource allocation, it might sometimes hinder the attainment of other major goals of economic policy. This point is particularly important in the performance of fiscal program in underdeveloped countries. For example, the taxation policy to accelerate the capital formation such as heavy reliance upon indirect taxes, tax exemption for individual and corporate savings, tax reduction or exemption for interest and dividend revenues may conflict against the policy for fairer distribution of income and tax burden. Thus we must realize that the enforcement of fiscal program for economic stabilization and growth often entails some social sacrifice. In such cases fiscal program for economic stabilization and growth should not be pursued beyond the point where the social gain and loss from it will balance.

From the above brief considerations, we can draw the conclusion as follows :

Maxwell's view on fiscal policy is liable to overlook one important point that economic stabilization is only one of the major goals of economic policy. We assert, therefore, that all the important goals of economic policy, for the realization of which government spending and taxation ought to be used as strategic policy variables, should be taken explicitly as goals of fiscal policy.¹³ The general theory of fiscal policy should be formulated from such standpoint and we must stress especially the importance of economic growth for fiscal policy.

¹³ This is the attitude taken in O. H. Brownlee and E. D. Allen, *Economics of Public Finance*, 2nd ed., 1954.

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